

E2SSB 5111 - H COMM AMD
By Committee on Finance

ADOPTED 04/13/2005

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that the welfare of
4 the people of the state of Washington is positively impacted through
5 the encouragement and expansion of key growth industries in the state.
6 The legislature further finds that targeting tax incentives to focus on
7 key growth industries is an important strategy to enhance the state's
8 business climate.

9 A recent report by the Washington State University energy program
10 recognized the solar electric industry as one of the state's important
11 growth industries. It is of great concern that businesses in this
12 industry have been increasingly expanding and relocating their
13 operations elsewhere. The report indicates that additional incentives
14 for the solar electric industry are needed in recognition of the unique
15 forces and issues involved in business decisions in this industry.

16 Therefore, the legislature intends to enact comprehensive tax
17 incentives for the solar electric industry that address activities of
18 the manufacture of these products and to encourage these industries to
19 locate in Washington. Tax incentives for the solar electric industry
20 are important in both retention and expansion of existing business and
21 attraction of new businesses, all of which will strengthen this growth
22 industry within our state, will create jobs, and will bring many
23 indirect benefits to the state.

24 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW
25 to read as follows:

26 (1) Beginning October 1, 2005, upon every person engaging within
27 this state in the business of manufacturing solar energy systems using
28 photovoltaic modules; as to such persons the amount of tax with respect
29 to such business shall, in the case of manufacturers, be equal to the

1 value of the product manufactured, or in the case of processors for
2 hire, be equal to the gross income of the business, multiplied by the
3 rate of 0.2904 percent.

4 (2) Beginning October 1, 2005, upon every person engaging within
5 this state in the business of making sales at wholesale of solar energy
6 systems using photovoltaic modules manufactured by that person; as to
7 such persons the amount of tax with respect to such business shall be
8 equal to the gross proceeds of sales of the solar energy systems using
9 photovoltaic modules multiplied by the rate of 0.2904 percent.

10 (3) The definitions in this subsection apply throughout this
11 section.

12 (a) "Module" means the smallest nondivisible self-contained
13 physical structure housing interconnected photovoltaic cells and
14 providing a single direct current electrical output.

15 (b) "Photovoltaic cell" means a device that converts light directly
16 into electricity without moving parts.

17 (c) "Solar energy system" means any device or combination of
18 devices or elements that rely upon direct sunlight as an energy source
19 for use in the generation of electricity.

20 (4) This section expires June 30, 2010.

21 **Sec. 3.** RCW 82.04.440 and 2004 c 174 s 5 and 2004 c 24 s 7 are
22 each reenacted and amended to read as follows:

23 (1) Every person engaged in activities which are within the purview
24 of the provisions of two or more of sections RCW 82.04.230 to
25 82.04.298, inclusive, shall be taxable under each paragraph applicable
26 to the activities engaged in.

27 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250, 82.04.270,
28 section 2(2) of this act, or 82.04.260 (4) or (13) with respect to
29 selling products in this state shall be allowed a credit against those
30 taxes for any (a) manufacturing taxes paid with respect to the
31 manufacturing of products so sold in this state, and/or (b) extracting
32 taxes paid with respect to the extracting of products so sold in this
33 state or ingredients of products so sold in this state. Extracting
34 taxes taken as credit under subsection (3) of this section may also be
35 taken under this subsection, if otherwise allowable under this
36 subsection. The amount of the credit shall not exceed the tax

1 liability arising under this chapter with respect to the sale of those
2 products.

3 (3) Persons taxable under RCW 82.04.240 or 82.04.260(1)(b) shall be
4 allowed a credit against those taxes for any extracting taxes paid with
5 respect to extracting the ingredients of the products so manufactured
6 in this state. The amount of the credit shall not exceed the tax
7 liability arising under this chapter with respect to the manufacturing
8 of those products.

9 (4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1),
10 section 2(1) of this act, or 82.04.260 (1), (2), (4), (6), or (13) with
11 respect to extracting or manufacturing products in this state shall be
12 allowed a credit against those taxes for any (i) gross receipts taxes
13 paid to another state with respect to the sales of the products so
14 extracted or manufactured in this state, (ii) manufacturing taxes paid
15 with respect to the manufacturing of products using ingredients so
16 extracted in this state, or (iii) manufacturing taxes paid with respect
17 to manufacturing activities completed in another state for products so
18 manufactured in this state. The amount of the credit shall not exceed
19 the tax liability arising under this chapter with respect to the
20 extraction or manufacturing of those products.

21 (5) For the purpose of this section:

22 (a) "Gross receipts tax" means a tax:

23 (i) Which is imposed on or measured by the gross volume of
24 business, in terms of gross receipts or in other terms, and in the
25 determination of which the deductions allowed would not constitute the
26 tax an income tax or value added tax; and

27 (ii) Which is also not, pursuant to law or custom, separately
28 stated from the sales price.

29 (b) "State" means (i) the state of Washington, (ii) a state of the
30 United States other than Washington, or any political subdivision of
31 such other state, (iii) the District of Columbia, and (iv) any foreign
32 country or political subdivision thereof.

33 (c) "Manufacturing tax" means a gross receipts tax imposed on the
34 act or privilege of engaging in business as a manufacturer, and
35 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2909(1), (~~and~~)
36 82.04.260 (1), (2), (4), and (13), and section 2(1) of this act; and
37 (ii) similar gross receipts taxes paid to other states.

1 (d) "Extracting tax" means a gross receipts tax imposed on the act
2 or privilege of engaging in business as an extractor, and includes the
3 tax imposed in RCW 82.04.230 and similar gross receipts taxes paid to
4 other states.

5 (e) "Business", "manufacturer", "extractor", and other terms used
6 in this section have the meanings given in RCW 82.04.020 through
7 82.04.212, notwithstanding the use of those terms in the context of
8 describing taxes imposed by other states.

9 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.32 RCW
10 to read as follows:

11 (1) The legislature finds that accountability and effectiveness are
12 important aspects of setting tax policy. In order to make policy
13 choices regarding the best use of limited state resources the
14 legislature needs information on how a tax incentive is used.

15 (2)(a) A person who reports taxes under section 2 of this act shall
16 make an annual report to the department detailing employment, wages,
17 and employer-provided health and retirement benefits per job at the
18 manufacturing site. The report shall not include names of employees.
19 The report shall also detail employment by the total number of full-
20 time, part-time, and temporary positions. The first report filed under
21 this subsection shall include employment, wage, and benefit information
22 for the twelve-month period immediately before first use of a
23 preferential tax rate under section 2 of this act. The report is due
24 by March 31st following any year in which a preferential tax rate under
25 section 2 of this act is used. This information is not subject to the
26 confidentiality provisions of RCW 82.32.330.

27 (b) If a person fails to submit an annual report under (a) of this
28 subsection, the department shall declare the amount of taxes reduced
29 for the previous calendar year to be immediately due and payable.
30 Excise taxes payable under this subsection are subject to interest, but
31 not penalties, at the rate provided for delinquent taxes, as provided
32 under this chapter. The department shall assess interest,
33 retroactively to the date the preferential tax rate under section 2 of
34 this act, was used. The interest shall be assessed at the rate
35 provided for delinquent excise taxes under this chapter, and shall
36 accrue until the taxes for which the preferential tax rate was used are

1 repaid. This information is not subject to the confidentiality
2 provisions of RCW 82.32.330.

3 NEW SECTION. **Sec. 5.** (1) Using existing sources of information,
4 the department shall report to the house appropriations committee, the
5 house committee dealing with energy issues, the senate committee on
6 ways and means, and the senate committee dealing with energy issues by
7 December 1, 2009. The report shall measure the impacts of this act,
8 including the total number of solar energy system manufacturing
9 companies in the state, any change in the number of solar energy system
10 manufacturing companies in the state, and, where relevant, the effect
11 on job creation, the number of jobs created for Washington residents,
12 and any other factors the department selects.

13 (2) The department shall not conduct any new surveys to provide the
14 report in subsection (1) of this section.

15 NEW SECTION. **Sec. 6.** This act is necessary for the immediate
16 preservation of the public peace, health, or safety, or support of the
17 state government and its existing public institutions, and takes effect
18 July 1, 2005."

19 Correct the title.

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